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CAN MANAGE, FOR NOW, BEIJING OBSERVERS SAY

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Aubrey Carlson. Reasons 1.4 (b) and (d).

SUMMARY

[1](#)1. (C) The global economic downturn has heightened Chinese leaders' longstanding obsession over maintaining social stability, with even PRC official media predicting an increase in "mass incidents" in 2009. Beijing observers vary in their assessment of the severity of this year's stability challenges, but virtually all remain confident that the Communist Party has the will and the resources to weather the storm, arguing that large-scale unrest threatening regime stability in the near term is "virtually unthinkable." Nevertheless, myriad challenges loom: rising unemployment among migrant laborers and grim job prospects for college graduates, combined with sensitive political anniversaries such as the 20th anniversary of the 1989 Tiananmen massacre and the 50th anniversary of the failed 1959 Tibetan uprising, could test PRC leaders. Moreover, the global economic crisis increases pressure across Chinese society and the political system, with potentially unpredictable consequences. Although Embassy contacts say China will make it through this difficult year, they predict with almost equal certainty that dissent and debate will be controlled more tightly, and that leaders will be reluctant to push any reforms, political or otherwise, that might risk "instability." End Summary.

RENEWED FOCUS ON SOCIAL STABILITY AMID ECONOMIC CRISIS

[1](#)2. (SBU) Beijing observers continue to discuss the possible impact of the global economic downturn on social stability in China, with even official PRC media acknowledging that significant challenges loom in the year ahead. China's leaders are "truly concerned over social stability" in the coming year, according to independent journalist Chen Jieren (strictly protect), the nephew of Politburo Standing Committee member He Guoqiang. Publicly, a Chinese Communist Party (CCP) cadre warned in a January 12 interview in the official Xinhua-affiliated magazine "Liaowang" ("Outlook Weekly") that, economically, China in 2009 will "encounter the greatest difficulty and the most severe challenge" of the past decade, leading to an "intensification of social contradictions" and a likely increase in "mass incidents" (ref B). Social stability incidents in the coming year, the

official said, could be caused by problems such as land disputes, college graduates' employment difficulties, investment losses, inadequate social safety nets and environmental degradation.

UNREST A "PERMANENT FEATURE" OF THE PRC SYSTEM

13. (C) Despite the potential for unrest in 2009, social instability in China is "nothing new" and is a "permanent feature" of the PRC system, so it is not guaranteed that this year will witness more unrest than previous years, according to Renmin University Professor Jin Canrong (protect). Thirty years of breakneck economic growth have led not only to stunning development that lifted millions of Chinese out of poverty, but also to extreme inequality (urban-rural, coastal-interior, and rich-poor), endemic corruption and imperious local leaders, all of which have contributed annually to a large number of "mass incidents," Jin told PolOff on December 15. Unconvinced that the number of incidents has been rising in recent years, Jin argued that the main difference today compared with previous years is the Internet, which makes it more difficult for the Government to hide "mass incidents." Better information about local protest and riots, Jin said, often causes outside observers to wrongly conclude that China is growing "more unstable."

14. (C) Professor Jin cited research by Huang Ping, Director of the Institute of American Studies at the Chinese Academy of Social Sciences (CASS) and a sociologist by training, that suggests the number of "mass incidents" in China has actually declined in recent years after peaking in 2005, when nearly

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90,000 incidents occurred. For example, Jin said Huang calculates that the annual total of incidents dropped to 60,000 in 2007. Jin remains unconvinced that unrest will be worse in 2009, and even if it were, the Chinese government and security forces are growing more experienced and capable of defusing and containing mass incidents, Jin asserted. (NOTE: PolOffs have previously not seen the official figures for unrest in 2007 referred to by Jin. Per ref H, Chinese leaders previously released widely suspect statistics purportedly designed to show an improving social stability situation but ceased doing so for the years after 2006. Reuters reported on February 11 that an academic at the Chinese Academy of Sciences claimed that "mass incidents" rose in 2008 beyond the 80,000 incidents he claimed took place in 2007, stating that the exact figure for 2008 was "classified.")

WORRYING ABOUT MIGRANTS

15. (C) While social unrest may be "nothing new," the rising number of unemployed migrant workers is nevertheless a significant concern for 2009. Chen Xiwen, Office Director of the Central Leading Group on Rural Work, was quoted in PRC official media on February 2 as saying that 15.3 percent of migrant returned workers interviewed in their home towns over the Chinese New Year holiday had no jobs to return to (ref C). Hu Yukun (protect), Associate Professor at Peking University's Institute of Population Research, told PolOff January 17 that she was "most concerned" by the impact that such large numbers of unemployed migrants could have on Chinese society, predicting that tens of millions of unemployed laborers would "inevitably" cause "great trouble." Qin Hui, economic historian at Tsinghua University and a leading expert on China's urban-rural divide, agreed that China's migrant workers would be hit "especially hard" in the year ahead, in part because of China's poor social safety net. While some local governments in coastal areas have established rudimentary health care insurance for migrants, for example, these benefits typically are not portable and expire once migrant laborers return to their villages.

16. (C) Angry, jobless migrants who are forced to return to their villages will exacerbate existing tensions in rural, small-town China, predicted Guo Yushan (protect), President of the Transition Institute and a signer of the Charter 08 reform manifesto (ref E). Migrants do not care about the global economic factors at work, Guo said. "All they know is that they do not have a job anymore, and they will demand that the Government do something since the Government has all the power." In the past, "mass incidents" typically involved localized protests against specific government agencies over a definable grievance. In 2008, however, Guo asserted, "mass incidents" in places like Weng'an, Guizhou Province, in June (refs F, G) and Longnan, Gansu Province, in November were increasingly characterized by "indiscriminant anger" against any and all Party and government institutions. Rising numbers of unemployed migrants only further heightened the risk that these types of incidents would increase in 2009, Guo said.

17. (C) Other observers think the impact of unemployed migrants will be greatest in China's cities, not the countryside. Many commentators have noted that a large portion of the migrant population are "second generation" migrants, who have no farming experience and no stronger ties to the rural lifestyle than any other urban residents. According to Mou Guangfeng (protect), a Director General at the Ministry of Environmental Protection, most unemployed migrant workers will be unwilling to simply return to their villages to live. "Migrants would rather be penniless in cities than go back home to do nothing," Mou concluded on November 29. Reflecting anxieties common among China's urban middle class, Mou said he was bracing for an increase in crime as Beijing becomes home to growing legions of desperate, unemployed migrants. Zhai Jiman (protect), Director of the Huang Guang Youth Employment Service Center, a Shanghai-based NGO, agreed, telling PolOff on February 11 that an increase in urban crime perpetrated by unemployed migrants would be the most likely manifestation of social "unrest" in the near term. Although such crime would pose no threat to Communist Party rule, the suffering of migrants, and the impact on others by a rise in crime, would nonetheless be "significant." (Note: Even though the overall crime rate remains at a comparatively low level, Embassy Beijing RSO has observed a rise in the number and sophistication of crimes in Beijing in the past year, based on reports from the American official and corporate communities. While perhaps too early to say definitively the reasons for this spike, it is plausible that China's current

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economic difficulties are one factor.)

STIMULUS PLAN TO EXACERBATE RURAL TENSIONS?

18. (C) Ironically, China's economic stimulus package might exacerbate the migrant laborer problem, Professor Qin Hui argued. Though designed to relieve employment pressure and ensure social stability, the four-trillion-RMB package's numerous new infrastructure projects will require massive land expropriations, which may only cause more anti-Government protests as a result, Qin predicted. Guo Yushan echoed Qin's assessment, saying the stimulus might create a net increase in instability unless the Government improves transparency in land expropriation and resettlement of people displaced by new construction. Mou Guangfeng, whose office must approve the environmental impact assessments of all major development projects, said his office was already being flooded with applications for new infrastructure construction. Criticizing the stimulus plan from a different angle, Standard Chartered Bank economist Stephen Green (protect), told PolOffs on January 12 that the stimulus plan's focus on infrastructure projects was likely to do little to help create new jobs for unemployed migrants, most of whom have lost their jobs in China's export sector.

CASS Economist Chen Juwei was more sanguine about the stimulus, however. Chen recently told LabOff that although rural infrastructure projects were a short-term measure designed to lure unemployed migrants back from urban areas, these projects were needed and had the capacity to absorb a significant amount of surplus labor in rural areas.

OPTIMISTS CITE PEASANTS' "RESILIENCY"

¶9. (C) Not all observers see unemployed migrants as a major social stability threat. Professor Qin Hui asserted that Chinese peasants, the core of China's migrant labor force, had a "much higher capacity than European or American workers to endure hardship," meaning they are unlikely to turn against the Government in response to growing unemployment. Most Chinese understood the international nature of the financial crisis and thus did not necessarily blame the Communist Party, Qin said. Chu Shulong (protect), Deputy Director of Tsinghua University's Institute of International Strategic and Development Studies, separately agreed, saying migrant workers were "flexible," with many willing to return to farming "for a year" until factories begin hiring again. Chu noted that, so far, layoffs had mainly impacted migrants in export industries, with China's permanent urban residents yet to experience serious unemployment, which would be more worrying from the standpoint of social stability. Thanks to the state enterprise reforms of the 1990s, Chu averred, China was now in a better position to weather a global recession because urban employers are on average more financially stable than they were a decade ago.

¶10. (C) Improving living standards in rural areas in recent years, together with the Chinese government's ongoing emphasis on rural development, give China the ability to deal with the "tough times" that lie ahead, predicted Cao Huayin (protect), Deputy Secretary General at the Central Party School-affiliated think tank the China Reform Forum (CRF). Just back from a trip to his hometown village in rural Shandong Province, Cao said in early December that he was continually "impressed" to see how financially well off his parents, and their neighbors, had become. Moreover, China's "New Socialist Countryside" policies provide a "framework" for the Center to spend more money and distribute greater wealth should difficulties arise, thereby creating employment for returning migrant workers as necessary. Renmin University's Jin Canrong, originally from rural Hunan Province, agreed that China's rural migrant laborers were in "relatively better shape" than other unemployed persons in China, as "at least they had land to return to."

MIGRANTS' INABILITY TO ORGANIZE

¶11. (C) Migrants' inability to organize is perhaps the main reason they are unlikely to be the main source of unrest in 2009, according to Hou Wenzhuo (protect), founder of the Employment and Rights Institute (ERI) NGO. Though agreeing that Chinese peasants were highly "resilient," Hou said on January 15 that many migrant laborers nevertheless were dissatisfied because they had experienced firsthand China's yawning income and development gaps after leaving the countryside. Nonetheless, even unemployed migrants who remain in the cities had shown little capacity to organize -- and had been stopped by PRC security organs when they tried to do so. In addition, the PRC government's "retraining" and

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other "assistance" programs to migrants had been effective as "political" and "propaganda" tools, ERI's Li Zhiying argued. Even though these programs had little real economic impact, they contributed to social stability by making the public believe that Chinese leaders are trying to help them. Li concluded that the migrant labor issue was only one of many stability problems faced by China, and likely not the most important.

¶12. (C) Some observers believe unemployed graduates will pose a greater challenge to stability than unemployed migrant workers. Unemployment among college graduates has been rising since 2003, mainly because of policies that began in 1999 to expand university enrollment. 2009 will produce a record crop of graduates, precisely at a time when employers are reducing or suspending recruitment because of economic uncertainty. Of the approximately six million college students who will graduate this summer, nearly two million were expected to have difficulty finding jobs, according to Renmin University's Jin Canrong. Combined with the nearly two million graduates who remain unemployed (or underemployed) from last year, Jin predicted there could be as many as four million unemployed and highly dissatisfied college graduates in China's cities this summer, potentially posing a major stability problem. (Comment: The specific numbers cited by Jin are unsubstantiated. According to the official line from the Ministry of Human Resources and Social Security (MOHRSS), 6.1 million new graduates will enter the job market in 2009, while approximately one million who graduated in previous years remain unemployed.) College students were "highly ambitious" and, unlike their rural counterparts, "more likely to be dissatisfied and angry" if they are unable to find employment or have to settle for being "underemployed," Yang Yusheng (protect), Professor at the China University of Political Science and Law (CUPSL), told PolOff January 17. Moreover, China's students were "much savvier" and possessed greater ability to "organize" and "cause trouble" for the authorities, Yang warned, which is a "major concern" for China's leaders. (NOTE: The need to create employment for students has been a significant theme for the leadership in the new year. Shanghai Party Secretary and Politburo member Yu Zhengsheng said privately on January 16 that employment for university graduates was, in fact, Shanghai's top concern for 2009, per ref I. Central leaders have also been widely quoted on the matter. On January 7, a Xinhua article quoted Premier Wen Jiabao as telling a meeting of the State Council that "job creation" for college graduates was a "top priority.")

¶13. (C) Despite the concern over graduates' unemployment, the "low political consciousness" of most college grads makes the chances of unrest a la the 1989 Tiananmen protests "extremely low," according to Chang Shaoyang (protect), Editor of the Legal Daily (Fazhi Ribao) newspaper. "No one should expect to see students leading major demonstrations anytime soon," Chang told PolOff January 29. Chinese students today were "vastly different" than those 20 years ago. (Note: Chang has a 21-year-old son majoring in philosophy at Beijing University.) Students today "worry only about themselves," their quality of life and future prospects for advancement. They had "no interest in politics and protests." Though initially critical of students' lack of political consciousness, upon reflection, Chang said this "might be a good thing," particularly in the context of China's recent "tragic history," to include the Cultural Revolution and the 1989 Tiananmen massacre.

¶14. (U) CASS's Chen Juwei, and Lai Desheng, Director of Beijing Normal University's Center for Labor Market Research, both recently downplayed the possibility of graduates causing instability. While acknowledging the Government's concern about this population, both told LabOff they believed graduates, at least in urban areas, would be content to remain unemployed, pursue further studies, or accept placement as local government officials under recently announced government job creation programs for graduates. One recent graduate told LabOff that these "village official" programs were very popular, as graduates see them as a back door route to coveted permanent civil service positions.

¶15. (C) As if China's leaders did not have enough to worry about this year, a number of upcoming sensitive anniversaries, particularly the 50th anniversary of the failed March 1959 Tibet uprising and the 20th anniversary of the 1989 Tiananmen massacre, hold the potential for

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"trouble." Chinese authorities would like to keep the focus in 2009 on the celebrations planned for the 60th anniversary of the PRC's founding on October 1, but to get there, China will first have to pass through the following sensitive dates:

-- March 10: 50th anniversary of the failed 1959 Tibetan uprising that led to the Dalai Lama's flight to India. In 2008, demonstrations in Lhasa marking the 49th anniversary of the uprising turned violent on March 14, leading to extended unrest in Tibetan areas throughout western China. China's decision last month to designate March 28 as "Serf Emancipation Day" likely will only further increase tensions in Tibetan areas.

-- April 15: 20th anniversary of the death of former CCP General Secretary Hu Yaobang, which in 1989 sparked the student demonstrations that eventually culminated in the June 4 Tiananmen Square massacre.

-- April 25: 10th anniversary of the 1999 Falun Gong "silent protest" outside the Zhongnanhai Leadership Compound in Beijing, which led to the Party's later wide-scale suppression of the Falun Gong movement.

-- May 4: 90th anniversary of the 1919 May Fourth Movement in which students at Tiananmen Square protested against the "unfair" terms of the Treaty of Versailles, sparking a period of intellectual ferment and demand for reforms.

-- May 7: 10th anniversary of the 1999 NATO/U.S. accidental bombing of the PRC Embassy in Belgrade.

-- June 4: 20th anniversary of the 1989 Tiananmen Square massacre. Perhaps the most sensitive anniversary in 2009, and, with the Tibet anniversary noted above, likely one of two anniversaries of the greatest concern to Chinese leaders this year.

-- June-July: Chinese college students graduate amid concerns over unemployment.

-- October 1: 60th anniversary of the founding of the People's Republic of China.

¶16. (C) The 20th anniversary of the "June 4 incident" (Tiananmen) is the key anniversary in 2009, Professor Yang Yusheng stated. Though skeptical of the chances of "large-scale unrest" on that day, he nevertheless asserted that it was the date Chinese leaders should worry about most. Renmin University's Jin Canrong separately concurred, noting that even though he generally downplayed the likelihood of unrest in 2009, the 20th anniversary of Tiananmen was nonetheless "extremely important" and worth paying "careful attention to." (Note: Jin said he participated in the June 4, 1989 demonstrations, at which time he organized protests by graduate students from the Chinese Academy of Social Sciences.) The Legal Daily's Chang Shaoyang also agreed that June 4 was a very important date, but he also thought that March 10 could see "major instability" in Tibetan areas, and that some Chinese might even feel compelled to mark May 4 with some sort of "public display." Chang nevertheless argued for maintaining "perspective": it is hard to imagine a year more difficult than 2008, when China endured massive ice storms, Tibetan riots, global protests against the Olympic torch run, the Sichuan earthquake and the Beijing Olympic Games. Compared to all that tumult, 2009 ought to be "relatively quiet," Chang concluded.

DIFFICULT TO PREDICT UNREST...

¶17. (C) Though China is likely to "weather the storm" in 2009, the global economic downturn nevertheless increases "pressure" across Chinese society and the political system, increasing the likelihood that "trouble" will arise in "unpredictable" ways, according to ERI's Li Zhiying. Freelance journalist Chen Jieren held a similar view, telling PolOff November 24 that the pre-August 2008 Olympics "lockdown" across China had increased pressure on the "balloon" that is social stability, and even though things had been subsequently "loosened up," it had not been enough to allow all of the built-up pressure to dissipate. This general sense of tension and anger in society caused many of the "mass incidents" witnessed in 2008, Chen said. ERI's Li pointed out that in the large-scale riots in Guizhou and Gansu last year, most of the participants had not been involved in the original dispute that "sparked" the unrest. Rather, large crowds later joined because they generally felt "angry" and believed the Government to be "unjust."

¶18. (C) The Party to date has successfully managed to keep

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such mass incidents "localized, spontaneous and chaotic," preventing horizontal organization among groups beyond the cities in which the unrest originally took place, ERI's Hou Wenzhuo noted. Legal Daily Editor Chang noted that most citizens' anger was aimed at corrupt local leaders, not "popular" central leaders like President Hu Jintao and (especially) Premier Wen Jiabao, helping to prevent the spread of unrest. The Government's response to unrest in 2009 would also determine whether such incidents "spin out of control" or continue to remain isolated, Chang asserted. If leaders across China employed the "old" methods of responding harshly to unrest and arresting leaders of demonstrations, the situation could become "dangerous," as Chinese citizens were "increasingly aware of their rights." If, by contrast, leaders adopted "new techniques," such as "listening" to protesters, as Chongqing Party Secretary Bo Xilai did with striking taxi drivers late last year, then the Party was more likely to "avoid major trouble," Chang said. (Note: Chang was "hopeful" that a majority of Party leaders supported the more "civilized" methods used by Bo Xilai with the striking taxi drivers. Journalist Chen Jieren said, however, that many Party leaders were critical of Bo for setting a "dangerous precedent.")

... AND EVEN HARDER TO MEASURE

¶19. (C) Contacts stressed that, whatever happens in 2009, measuring social stability in China is particularly difficult given the lack of government transparency and quantifiable indicators. What we are left with, then, is fragmentary, anecdotal evidence of unrest (much of it coming from the Internet) on the one hand, and Government propaganda on the other. Liu Lilin (protect), Deputy Secretary General of Tsinghua University's Center for Communication Studies and a former Xinhua News Agency journalist, commented to PolOff December 4 that layoffs had already been starting before the August Olympics, but local officials covered up the problem to maintain the appearance of stability during the Games. Liu estimated that "mass incidents" had increased as a result of the economic slowdown and layoffs in coastal areas, especially in Guangdong Province, but conceded there was "no hard data" to prove this. The Chinese government no longer published statistics on "mass incidents," Liu noted, and even when it did, the figures "were not necessarily real or accurate." Public opinion polling also offers few clues on the stability of the Chinese regime. Wu Yin (protect), Chief Research Supervisor at the polling firm Horizon, told PolOff December 11 that "there are no meaningful surveys" conducted in China that gauge public support for local and central leaders. While Horizon did conduct polling on behalf of the Beijing Municipal Government, Wu said, the survey questions

were written by government bureaucrats, not professional pollsters, and therefore were designed primarily to elicit positive responses and bolster existing government policies.

ASSESSMENTS OF WAY AHEAD -- MOST OPTIMISTIC, FOR NOW

¶20. (C) While many Embassy contacts say a "bumpy ride" and increased local demonstrations are possible in 2009, few, if any, believe the economic slowdown poses a serious danger to regime stability. (Note: The exception would be some of the activist signers of Charter 08, who view China's social conflict in stark terms and have warned that China is locked in a "race between revolution and reform" -- ref E.) In addition to the factors mentioned above, contacts see several issues working in the Communist Party's favor and contributing to social stability. First, the Chinese state's "vast financial resources" gave leaders the ability to spread resources to those who need it most, via infrastructure and social welfare spending, thereby "buying social stability" while waiting for the U.S. (and global) economy to recover, according to Renmin's Jin Canrong, CRF's Cao Huayin, and Horizon's Wu Yin. Second, China's security services had substantially upgraded their capabilities in recent years to both monitor and control unrest, according to Renmin's Professor Jin. Third, the vast majority of Chinese citizens had witnessed their standard of living improve significantly in recent years and could remember when things were much worse, meaning most were willing to ride out the downturn for the short term, according to journalist Chen Jieren, CUPSL Professor Yang Yusheng and Zhao Hong, editor-in-chief of the reformist journal "Tribune Of Social Sciences" (Shehui Kexue Luntan). The economist Mao Yushi (protect), founder of the Unirule think tank, agreed, telling PolOff November 25 that even though tough economic times had "decreased people's tolerance" for inequality and abuse of power and there would be "some social unrest" as a result, China's economic strength was nevertheless "real" and "will not be erased because of the current downturn." While arguing that China's

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stability problems could only be solved for the long term by implementing significant political reform, these observers agreed that the Party would get through the current short-term economic difficulties, even absent reform. Chen Jieren speculated that, without meaningful reform, "something big" in terms of unrest could happen before the 18th Communist Party Congress in 2012, but "not in the near term."

¶21. (C) Unity among the CCP leadership and the lack of any alternative to the Communist Party are other factors that argue against any major danger to regime stability in the year ahead. Wu Yin of Horizon Polling observed that it had been the combination of economic hardship and a leadership split that caused the 1989 Tiananmen demonstrations to spiral into a major crisis. Now, Wu argued, the Party was unified and thus better poised to move decisively to ensure stability. Politically, Mao Yushi stressed, there was no alternative to the CCP, as "there simply is no political force waiting in the wings to take over." Though Mao is an outspoken critic of the Communist Party, he emphasized that the CCP had a good track record of "overcoming difficulties and showing flexibility," concluding that "it can withstand the test of recession."

¶22. (C) Most contacts predicated their above assessments on the assumption that the Chinese economy would largely recover by late 2009. Economist Stephen Green (protect) of Standard Chartered Bank in Shanghai was more explicit, telling PolOffs on January 12 that he assessed China would "muddle through" this current crisis, assuming there was an economic turnaround by the fourth quarter of 2009. If the economy did not turn around by then, however, then China's ability to throw money at the problem, and observers' ability to forecast China's social stability, would become much more "complicated," he concluded.

123. (C) One almost certain outcome in 2009, contacts say, is tightened control of dissent and debate and a greater reluctance to introduce any reforms, political or otherwise, that could lead to "instability." Journalist Chen Jieren said the leadership's fears over social stability would make them "exceptionally cautious" in the year ahead and would certainly "set back the cause of reform." (Comment: While no one in Beijing expected anything dramatic on the political reform front in 2009, some observers including Chen had hoped to see progress on some of the reforms underway the last several years to increase "public participation" in the policymaking process and in the selection and promotion of PRC officials. Chen now suspects, however, that progress on even these limited reforms will be incremental at best, or nonexistent, in the face of the economic downturn.) Legal Daily's Chang Shaoyang tried to put the best face on the situation by arguing that the "pace of reforms," including on human rights and press freedoms, would "certainly slow," even as they remained "headed in the right direction." Philip Nobel (protect), China Director at InterNews, a U.S.-based NGO that promotes media freedom, was more blunt, telling PolOff November 21 that the environment for NGOs remained "very difficult" and that the anticipated post-Olympics relaxation had not materialized. Nobel, a dual Czech-French national, attributed the authorities' tight grip on NGOs directly to the financial crisis and worsening economic conditions. Qin Hui, meanwhile, told PolOff that the current atmosphere was "very conservative," with envelope-pushing academics finding it increasingly difficult to publish. The economic slowdown and concerns over stability, Qin predicted, "all but guarantees" there will be no movement by the Party leadership on political reform in 2009.

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